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Mayor

26 Member
Metro Council

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Report

Office of Internal Audit



Department of Public Works

Wreck Repair Contracts

Department of Public Works

Wreck Repair Contracts Logan Street

July 2003

Table of Contents

Transmittal Letter	2
Introduction.....	2
Scope.....	2
Opinion	3
Observations And Recommendations	4
Appendix.....	7
Wreck Repair Payments Fiscal 2003	7
Wreck Repair Payments Fiscal 2002	7
Activity under \$1,500 Threshold	7
Cabinet Secretary for Public Works and Services Response.....	8



LOUISVILLE, KENTUCKY
OFFICE OF INTERNAL AUDIT

JERRY E. ABRAMSON
MAYOR

RON WESTON
PRESIDENT, METRO COUNCIL

Transmittal Letter

July 28, 2003

Councilwoman Denise Bentley
Louisville Metro Council
601 West Jefferson Street
Louisville, KY 40202

Subject: Review of Wreck Repair Contracts (Logan Street)

Introduction

As requested, we reviewed wreck repair activity at Logan Street. This was a contract compliance review, focusing on repair activity covered under price contract 14Z00324 (awarded in March 2001). Particular attention was given to the distribution of repair activity to the five vendors covered by this contract. The contract is very specific in the format and procedures for estimates for each wreck repair action. This includes notifying vendors of vehicles requiring estimates, and submission of sealed bids within 48 hours of reviewing the damaged vehicle. As illustrated in the Appendix, payments to the five vendors covered by this contract have exceeded \$275,000 for each of the past two fiscal years.

Scope

The operating procedures for administering wreck repairs were reviewed through interviews with key personnel. The primary focus was operational administration of wreck repair activity, including awarding of work. Various reviews of sample data from July 1, 2001 through June 30, 2003 were performed. The methodology will be addressed in the Observations and Recommendations section of this memorandum. Our examination was conducted in accordance with Generally Accepted Government Auditing Standards and with the Standards for the Professional Practice of Internal Auditing. Our examination would not reveal all weaknesses because it was based on selective review of data.

Opinion

It is our opinion that contract compliance for wreck repairs at Logan Street is inadequate. Several problems were noted as illustrated in the following examples.

- The requirements of the wreck repair vendor contracts are not adhered to. Vendors may not be contacted to provide estimates as required, especially for repairs estimated to cost less than \$1,500. Sealed bids are not required. Contract timeliness requirements are not documented.
- Monitoring of activity is inadequate. This lack of oversight does not adequately ensure compliance with contractual requirements.
- Files do not contain sufficient documentation to ensure activity is processed in accordance with all requirements and that activity is appropriate. This includes incomplete, inaccurate, or missing supporting documentation.
- Functional operating policies and procedures are not documented and provided for staff. This may lead to inconsistencies in administration and management of activities.

Detailed results are noted in the following Observations and Recommendations section. It should be noted that the Cabinet Secretary for Public Works and Services, as well as the Department of Public Works, was extremely cooperative and responsive. Immediate action was taken to address the problems identified. A corrective action plan has been implemented as detailed in the response from the Cabinet Secretary. This response is incorporated into this memorandum.

Sincerely,



Michael S. Norman, CIA
Chief Audit Executive

cc: Louisville Metro Council Members

Observations And Recommendations

Methodology

Key personnel were interviewed to gain an understanding of the administration, processing, and records management associated with wreck repair services. This focused on activity administered by the Logan Street facility only.

There were a total of 577 invoices for the five contract vendors for the period July 1, 2001 through June 30, 2003. These were identified from the financial centers assigned to the Logan Street facility. The review was performed in the following manner:

- A sample of repair activity payments for fiscal year 2003 was reviewed. This included all repairs of \$1,500 or more, along with a judgmentally selected sample of payments less than \$1,500. A total of thirty-five transactions were reviewed.
- A sample of equipment with multiple repair activity payments was reviewed. The purpose was to identify possible "split" bids/estimates and corresponding payments that may indicate the vendor submitted a low bid. A total of thirty-eight transactions were reviewed.

Vendor estimates, invoices, and supporting documentation were examined to determine the authorization, completeness, appropriateness, and adherence to contractual requirements. The following concerns were noted.

Observations

There were some major problems noted with the wreck repair activity. This includes compliance with the vendor contract requirements. Examples include the following.

- According to the vendor contract agreements, Logan Street staff are responsible for contacting the vendors to provide estimates, awarding repair work, and the scheduling of repair services. Actual practices do not adhere to the contractual requirements regarding vendor estimates/bid processes. Examples include the following.
 - If the Logan Street Supervisor determines that the repair may not exceed \$1,500, then a single contractor is contacted to provide an estimate/bid. The garage supervisor may contact a specific contractor based on several factors (location of the repair facility, estimated completion schedule (turnaround time) to get the vehicle back into service). The contractor selected is at the discretion of the Supervisor. Activity less than \$1,500 is detailed in the Appendix.
 - Bids are not routinely obtained for routine repairs (i.e., minor repairs from normal use, such as door dings) of fleet vehicles.
 - There were several instances in which bids were obtained from some, but not all, of the authorized vendors. This indicates that all vendors may not have been contacted to submit estimates.
- According to the contract, Logan Street staff may consider the ability of the vendor to complete repairs in a timely manner when awarding individuals bids. The vendor

estimates do not include any indication of an estimated time in which work is to be completed. This does not allow for adequate documentation of issues that may be considered when awarding repair work.

- There were several instances in which the initial estimate did not agree to the actual services rendered.
 - There were numerous payments to a single vendor in which there were supplements to the initial bids. It was explained that this treatment would apply for "OPEN" items for hidden damage, i.e., repair costs for items that cannot be determined through a simple viewing. In some cases, components/parts may need to be replaced after being observed during the actual repair process. While other bids noted that there might be hidden damage, there was no evidence of routine supplemental estimates from any other vendors awarded repair services. Also, it is not clear whether the other vendor bids included allowances for possible supplements. There were two cases where repairs performed by other vendors appeared to include supplements to the initial bids.
 - One case was noted in which the needed repair work as described on the repair order did not agree with the services actually performed as listed on the invoice.
- The contract states that vendors must be notified at least 24 hours in advance of the time and place where damaged vehicles may be inspected for preparation of estimates. Sealed estimates are due within 48 hours after viewing the damage. The following problems make it impossible to determine whether timeliness requirements were adhered to.
 - There are no records documenting notification of the vendors to view the equipment and provide an estimate/bid.
 - There were numerous cases in which the vendor estimates were not dated.
 - Even though contract requirements require sealed bids, there were several estimates that appeared to have been received via facsimile machines.
- The contract requires that a "copy-for-record" of the estimates be provided to the Purchasing Department. Purchasing does not receive this information.
- There were several instances in which supporting documentation was incomplete, inaccurate, or missing.
 - The estimated repair costs on the Master Accident Cover were incomplete or inaccurate in some cases.
 - There were several cases in which the Master Accident Cover did not include all bids, only the estimate for the bid awarded was noted. In some cases, the amount recorded on the Master Accident Cover is the total of an initial estimate and a supplement.
 - There were cases in which the estimate recorded on the Master Accident Cover did not agree with the actual vendor estimate sheet.
 - There were a couple of cases in which the Master Accident Cover does not list a scheduled appointment date. This date helps to document the period in which repair vendors may have an opportunity to review damaged equipment for estimate preparation.

- There were a couple of cases in which a copy of the fleet system repair order was not present in the file. This documentation presents vehicle information, along with the reason for repair and the nature of the work performed.
- There is not any type of documented manual or detailed desk procedures for staff performing assigned tasks. This may lead to inconsistencies in administration and management of activities.

Recommendations

Appropriate Fleet Services personnel should take necessary action to address the issues noted. Specific recommendations include the following.

- ✓ All contractual requirements should be adhered to. Although there may be legitimate, practical reasons for processing activity in another manner, departments do not have the discretion to disregard contractual requirements.
- ✓ The consolidation of Metro Louisville Fleet Services provides an opportunity to assess all aspects of operations. The Purchasing Department should be consulted to determine the best way to administer wreck repair activity. Available industry best practices should be adopted. Other possibilities include contracting with an appraisal firm and rotating the work to the contract vendors, or using one vendor.
- ✓ From a practical standpoint, a minimum threshold requiring estimates should be considered. However, procedures should be sufficient to ensure that the work is distributed equitably among the contract vendors.
- ✓ Written policies and procedures for repair activity should be developed and updated periodically. These should correspond with and supplement applicable vendor contracts and Metro Government policies and procedures. This documentation should be distributed to all applicable personnel. This manual should include sufficient detail of the steps performed, copies of forms used and policies followed in the process. In addition, training of key personnel will help ensure consistent adherence to the requirements.
- ✓ Sufficient documentation should be maintained to record the basis for awarding repair services. This includes all determining factors (e.g., low bid, turn around time, etc.).
- ✓ Vehicle files should be maintained with complete information.
- ✓ Supervisory oversight should include the review of all estimates to ensure they are comparable (e.g., all include "OPEN" items, same degree of services, etc.).
- ✓ Individual sealed bids should be received either at the Fleet Services Administrative Office or the Purchasing Department. A bid opening process should be implemented to ensure all bids adhere to contract requirements (e.g., complete, timely, etc.).
- ✓ A copy of each vendor bid should be provided to the Metro Purchasing Department in accordance with contract requirements.
- ✓ The Human Relations Commission and the County Attorney should be consulted to determine the ramifications of the lack of compliance with the contract requirements.

Appendix

Wreck Repair Payments Fiscal 2003

Vendor Name	Total Paid	% of Total Paid	# Invoices	% of Total Invoices
Auto Warehouse	\$119,882	42.8%	107	37.8%
Auto Body and Frame	\$115,942	41.4%	145	51.2%
Robinson Body Repair	\$34,373	12.3%	24	8.5%
JM Body Shop	\$6,563	2.3%	3	1.1%
Auto Truck & Fiberglass	\$3,156	1.1%	4	1.4%
Total	\$279,916		283	

* Includes activity processed through June 27, 2003.

Wreck Repair Payments Fiscal 2002

Vendor Name	Total Paid	% of Total Paid	# Invoices	% of Total Invoices
Auto Warehouse	\$111,500	38.5%	103	35.0%
Auto Body and Frame	\$128,538	44.4%	153	52.0%
Robinson Body Repair	\$48,077	16.6%	37	12.6%
JM Body Shop	\$1,578	0.5%	1	0.3%
Auto Truck & Fiberglass	\$0	0.0%	0	0.0%
Total	\$289,692		294	

Activity under \$1,500 Threshold

Vendor Name	Fiscal Year 2003		Fiscal Year 2002	
	# Invoices	Total Paid	# Invoices	Total Paid
Auto Warehouse	90	\$69,909	91	\$75,207
Auto Body and Frame	141	\$90,364	146	\$98,202
Robinson Body Repair	21	\$27,972	32	\$31,599
JM Body Shop	2	\$2,635	0	\$0
Auto Truck & Fiberglass	4	\$3,157	0	\$0
Total	258	\$194,038	269	\$205,007

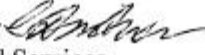
Cabinet Secretary for Public Works and Services Response

The response from the Cabinet Secretary for Public Works and Services begins on the following page. It should be noted that the Cabinet Secretary and the Department of Public Works have been very responsive. Corrective actions were immediately implemented.

MEMORANDUM

LOUISVILLE-JEFFERSON COUNTY
METRO GOVERNMENT

TO: Mike Norman, CIA
Office of Internal Audit

FROM: Rudolph Davidson, Secretary 
Cabinet for Public Works and Services

DATE: July 25, 2003

RE: Review of Wreck Repair Contracts

I am providing the following response to the audit conducted to review contract compliance for wreck repair service by the Logan Street Garage staff.

The audit revealed there were failures in compliance with the procedures outlined in Metro Louisville Contract No. 14Z00324 for Wreck Repair Services. Those failures are outlined in the final report issued by you. There are two issues I will address in my response. First, the staff's failure to comply with the established contract procedures. The second issue was to develop a process to ensure compliance with those procedures. I conducted two meetings for this response. The first meeting was to invite you, Councilwoman Bentley, Purchasing staff and Logan Street staff responsible for wreck repair service to explain the new process that would ensure full compliance for all future wreck repair work. Attached is the new process. The second meeting was with staff to discuss what went wrong. Based on that discussion it was determined that historically contract procedures had not been followed. A variety of reasons were given: urgency of wreck repair to be done, quality of work by some vendors and availability of certain vendors for jobs. None of the reasons were documented to the extent to justify non-compliance with the contract. I am holding all levels of management responsible for their failure to comply with the contract procedures.

I have decided to issue a Letter of Warning to the Logan Street Garage management staff for their negligence in complying with the contract. Their failure to comply with the process and procedures will result in more serious disciplinary action in the future.

If you have any questions, please contact me on Extension 6260.

Attachment

c Rick Johnstone
Jim Adkins
Ed Meece

Wreck Repair Procedures (Logan St. Garage)

-Vehicles for which Louisville Metro desires an estimate of wreck repair costs will be available for inspection each Friday at 10:00 AM. A supervisor will escort all attending bidders to view the vehicles, and answer any questions that might arise. Metro will provide the attending bidders a bid sheet for completion and submission to the Department of Public Works Fleet Services.

-Fleet Services staff will document all bidders in attendance for the estimating session and the bid opening.

-All bids must require an estimate of the time required to complete the repairs and return the vehicle to Fleet Services.

-The bid sheets provided by Fleet Services will be the result of an appraisal, and will not allow for the submission of "OPEN" or supplemental charges. The amount bid for the completion of all repairs should be a final amount.

-At 10:30 AM each Friday, Fleet Services will hold a bid opening for those bids submitted as a result of the previous estimating session. Metro will waive the 48 hour requirement in the contract, and will accept bids until the appointed time for opening. All bids must be sealed (no facsimiles accepted).

-Following evaluation of the bids submitted, all parties will receive notice of to whom the wreck repair work was assigned, final price of accepted bid, etc. Such notification will include the Department of Purchasing.

-Accurate and thorough documentation of each bid process (attendance records, bids submitted, etc) will be maintained by Fleet Services, and a copy provided to the Department of Purchasing.

(These procedures are in compliance with Louisville Metro Contract # 14Z00324, and are intended for the purpose of assuring that all contractual guidelines are followed in selecting vendors to complete wreck repair activities for Louisville Metro.)

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